Auditor of Public Accounts
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Harmon Releases Audit of Johnson County Sheriff's Gas and Oil Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 gas and oil tax settlement for Johnson County Sheriff Doug Saylor. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited, and paid for the period January 1, 2019 through July 31, 2019 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

The sheriff's office lacks adequate segregation of duties: The employee responsible for handling tax receipts also records the receipts in the ledger and prepares the bank deposits. The sheriff indicated that this was caused by a limited number of employees that were available to

segregate these job duties. By not segregating these duties, there is a risk that undetected errors or fraud could occur.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

If these duties cannot be segregated, the sheriff should implement and document compensating controls to help offset this weakness:

- Recount and make the daily deposits.
- Agree daily tax collections total to the receipts ledger and deposit slip.
- Agree monthly tax reports to receipts ledger and disbursements ledger.

Sheriff's Response: The Johnson County Sheriff's Office agrees to employ additional persons to fulfill segregation of duties to the extent of financial ability. We also agree to implement and document compensating controls effective immediately.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the auditor's website.

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